

**SOUTH CAROLINA  
EDUCATIONAL TELEVISION COMMISSION  
COLUMBIA, SOUTH CAROLINA**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORTS**

***FOR THE YEARS ENDED JUNE 30, 2016  
AND 2015***



**South Carolina  
Office of the State Auditor**

**George L. Kennedy, III, CPA  
State Auditor**

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June 7, 2017

The Honorable Henry McMaster, Governor  
and  
Members of the South Carolina Educational Television Commission  
South Carolina Educational Television Commission  
Columbia, South Carolina

This report on the audit of the basic financial statements of the South Carolina Educational Television Commission for the fiscal year ended June 30, 2016, was issued by Scott and Company, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in blue ink that reads "George L. Kennedy, III".

George L. Kennedy, III, CPA  
State Auditor

GLKIII/cwc

**SOUTH CAROLINA  
EDUCATIONAL TELEVISION COMMISSION**

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## Independent Auditor's Report

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Mr. George L. Kennedy, III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Network's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above fairly present, in all material respects, the respective financial position of the governmental activities and each major fund of the Network as of June 30, 2016 and 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1, the financial statements of the Network are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the State of South Carolina (the "State") that is attributable to the transactions of the Network. They do not purport to and do not present fairly the financial position of the State as of June 30, 2016 and 2015, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America and do not include other agencies, divisions, or component units of the State. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that required supplementary information on pages 3-11 and 44-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2017, on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.

*Scott and Company LLC*

Columbia, South Carolina  
June 7, 2017

## **SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### ***Overview of the Financial Statements and Financial Analysis***

As management of the South Carolina Educational Television Commission ("the Network"), we provide this Management's Discussion and Analysis of the Network's financial statements for the fiscal year ended June 30, 2016 as a narrative overview and analysis. We encourage readers to consider this information in conjunction with the Network's financial statements, which follow.

This report consists of a series of financial statements, prepared in accordance with the accounting principles generally accepted in the United States. The financial statements presented focus on the financial condition of the Network and the results of its operations.

This discussion and analysis is intended to serve as an introduction to the Network's basic financial statements. The Network's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The *Government-wide financial statements* provide an overview of the Network's operations as a whole. The government-wide financial statements include two statements: the Statement of Net Position; and, the Statement of Activities.

The *fund financial statements* provide information on the Network's funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the Network's funds are classified as governmental funds. The Network's governmental funds include the General Fund, Non-Federal Grants, Capital Projects and the Education Improvement Act Funds.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the Government-wide and fund financial statements.

The following discussion and analysis of the Network's government-wide and governmental funds financial statements provides an overview of its financial activities for the year. Comparisons to the prior fiscal year are also made.

## Statements of Net Position

The Statement of Net Position presents information reflecting the Network's assets, liabilities, deferred inflows and outflows of resources and net position as of the end of the fiscal year. This statement provides the reader with a snapshot view at a point in time. Net position represents the amount of total assets and deferred outflows of resources less liabilities and deferred inflows of resources. Assets and liabilities are shown as current and noncurrent. Current assets are those with immediate liquidity or which are collectible or due within twelve months of the statement date. The Statement of Net Position indicates the funds available for the Network's operation along with liabilities that will come due.

The assets and deferred outflows of resources of the Network exceeded its liabilities and deferred inflows of resources by \$14.8 million at fiscal year ending June 30, 2016 (See Table 1 below for a summary of net position for fiscal years 2015-2016 and 2014-2015).

Condensed Statements of Net Position	2016	2015	Increase / (Decrease)	Percent Change
<b>ASSETS</b>				
Current assets, net of prepaid items	\$ 11,095,358	\$ 8,371,614	\$ 2,723,744	32.6%
Capital assets, net of accumulated depreciation	19,053,652	20,046,709	(993,057)	(5.0%)
Prepaid expenses	251,172	439,342	(188,170)	(42.9%)
Deferred outflows of resources	953,999	836,319	117,680	14.1%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 31,354,181</b>	<b>\$ 29,693,984</b>	<b>\$ 1,660,197</b>	<b>5.6%</b>
<b>LIABILITIES</b>				
Current liabilities	\$ 3,984,126	\$ 3,060,202	\$ 923,924	30.2%
Noncurrent liabilities	12,460,834	11,362,693	1,098,141	9.7%
Deferred inflows of resources	114,292	934,050	(819,758)	(87.8%)
<b>Total liabilities and deferred inflows of Resources</b>	<b>16,559,252</b>	<b>15,356,945</b>	<b>1,202,307</b>	<b>7.8%</b>
<b>NET POSITION</b>				
Net investment in capital assets	19,053,652	20,046,709	(993,057)	(5.0%)
Restricted for expendable purposes:				
Capital projects	707,517	1,019,903	(312,386)	(30.7)%
Capital reserve	611,292	93	611,199	657,203.3%
Unrestricted	(5,577,532)	(6,729,666)	1,152,134	17.1%
<b>Total net position</b>	<b>14,794,929</b>	<b>14,337,039</b>	<b>457,890</b>	<b>3.2%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 31,354,181</b>	<b>\$ 29,693,984</b>	<b>\$ 1,660,197</b>	<b>5.6%</b>

The Network implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No 27 and GASB Statement No. 71, Pension Transitions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68 in the year ended June 30, 2015. Fiscal year 2016 is the second year of implementation.

Total assets and deferred outflows of resources of the Network increased approximately \$1,660,000. This increase is largely attributed to the increase in current assets net of prepaid expenses of approximately \$2,724,000 offset by decreases in capital assets, prepaid expenses and deferred outflows of resources. Cash and cash equivalents increased approximately \$2,953,000 over the previous year. The increase in cash and cash equivalents can be attributed to the increase in the allocation for K-12 Technology funds in the amount of over \$300,000, an increase in operating revenue of over \$600,000, an increase in Education Broadband Services (“EBS”) revenue of approximately \$200,000, a respective decrease in EBS disbursements of approximately \$300,000, and an allocation of \$1,000,000 in capital projects funds.

Deferred outflows of resources consists of contributions to the retirement plan after the measurement date, the differences between expected and actual retirement plan experience, and the net differences between projected and actual earnings on plan investments as required by the implementation of GASB Statement No. 68.

The increase of approximately \$924,000 in current liabilities is largely attributable to an approximate \$911,000 increase in unearned revenues. Unearned revenues increased as a result of a decrease in expenditures related to the revenue in EIA and non-grant funds. The increase in non-current liabilities of approximately \$1,098,000 is attributed to the aforementioned implementation of GASB Statement Nos. 68 and 71.

Deferred inflows of resources consist of the Network’s proportionate share of the net difference between projected and actual investment earnings for the pension plan and the change in proportionate share of the net pension liability as required by GASB Statement No. 68.

Net position of the Network increased during the year by approximately \$456,000 largely driven by the fact that the Network received a Capital Reserve Fund Appropriation of \$1,000,000 for fiscal year (“FY”) 2015-16. Restricted for expendable purposes asset balances related to general fund appropriations is mostly the remainder of the \$1,000,000 Capital Reserve Fund Appropriation of approximately \$611,000.



## Statements of Activities

This statement represents the program revenues and expenses, as well as any general revenue that the Network receives. The purpose of this statement is to present the reader with information relating to revenues earned and expenses incurred during the fiscal year ending June 30, 2016.

(See Table 2 for a comparison of revenues, expenses and changes in net position for fiscal years 2015-2016 and 2014-2015).

<b>Table 2</b>				
<b>Statements of Activities</b>				
	<u>2016</u>	<u>2015</u>	<u>Increase / (Decrease)</u>	<u>Percent Change</u>
<b>REVENUES</b>				
Program revenues:				
Charges for services	\$ 1,959,583	\$ 1,893,365	\$ 66,218	3.5%
Operating grants & contributions	7,394,483	7,753,844	(359,361)	(4.7%)
Capital grants & contributions	16,666	189,903	(173,237)	(91.3%)
General revenues:				
Contributions	6,244,360	5,551,938	692,422	12.5%
Gain on sale of capital assets	100,392	16,415	83,980	511.6%
Intergovernmental - state agencies	4,821,456	4,621,844	199,612	4.3%
Capital appropriation	1,000,000	-	1,000,000	100.0%
Total revenues and transfers	<u>21,536,940</u>	<u>20,027,309</u>	<u>1,509,631</u>	<u>7.6%</u>
<b>EXPENSES</b>				
Educational broadcasting:				
Personal services	8,639,993	8,542,950	97,043	1.1%
Pension expense	60,373	253,845	(193,472)	(76.2%)
Other operating costs	10,697,344	10,325,505	371,839	3.6%
Depreciation	1,681,340	1,758,973	(77,633)	(4.5%)
Total expenses	<u>21,079,050</u>	<u>20,881,273</u>	<u>197,777</u>	<u>0.9%</u>
Increase (decrease) in net position	457,890	(853,964)	1,311,854	153.6%
Net position - beginning of year	<u>14,337,039</u>	15,191,003	(853,964)	(5.7%)
Net position - end of year	<u>\$ 14,794,929</u>	<u>\$ 14,337,039</u>	<u>\$ 457,890</u>	<u>3.2%</u>

General revenue for the 2016 fiscal year totaled approximately \$12.2 million. Contributions include support received directly from the ETV Endowment. Contributions increased from the previous year by approximately \$692,000 due to an increase in direct support from the ETV Endowment.

The Network received a State Appropriation for SFY 2015-16 of \$277,000. The Network was also funded through budget provisos and Education Improvement Act funds in the 2015-16 Appropriations Act. Included in intergovernmental – state agency revenue is \$1.4 million transferred to the Network pursuant to Proviso 117.90 by the Law Enforcement Training Council and the Department of Administration (previously the South Carolina State Budget and Control Board). Additionally, pursuant to Proviso 93.17, approximately \$518,000 was transferred from the Department of Administration for licensing and selling excess capacity of South Carolina state's wireless communications infrastructure.

Program revenues for the Network are classified in three categories: Charges for Services, Operating Grants and Capital Grants. Charges for services are received for providing services to the various customers and constituencies of the Network. Operating grants are primarily made up of the Community Service Grants received from the Corporation for Public Broadcasting and private grants. Operating grants are used in the ongoing operations of the Network. Capital grants are related to capital equipment and construction projects.

Program revenue from all sources during the fiscal year totaled approximately \$9.4 million. Effective February 2013, the Network began receiving the lease revenue directly from the lessee pursuant to a proviso. In FY 2015-16, the Network received \$3.4 million related to Proviso 117.80 (Broadband Spectrum Lease). Corporation for Public Broadcasting grant awards increased by approximately \$55,000 over the previous fiscal year.

General revenues increased approximately \$1,893,000 over the previous fiscal year. The increase in general revenue from the previous fiscal year is the result of an increase in ETV Endowment support and increase in Proviso 117.80. The increase is largely driven by the fact that the Network received a Capital Reserve Fund Appropriation of \$1,000,000 for FY 2015-16.

Expenses for the Network are shown under the category of Educational Broadcasting and are classified as Personal Services, Pension Expense, Other Operating, and Depreciation. Personal Service costs were approximately \$8.6 million (41%). Pension expense costs were approximately \$60,000 (0.003%) Other operating costs totaled approximately \$10.7 million (51%). Depreciation expense totaled approximately \$1.7 million (8%). The Statement of Activities reflects an increase in net position for the current fiscal year of approximately \$458,000.

Total expenses increased approximately 0.9% over the previous fiscal year. Personal services increased by approximately \$97,000 thousand (1.1%). Personal service

increases can be attributed to increases in terminal leave, hiring of temporary personnel, and filling vacancies. Other operating expenses increased approximately \$372,000 (3.6%) due to the Network not receiving a credit on PBS dues in FY 2016. A credit of over \$300,000 was given for Public Broadcasting Service ("PBS") dues for FY 2015 for adjustments related to FY 2014 NFFS (non-federal financial support) reporting. Depreciation expense also decreased approximately \$78,000.

The Network's net position increased approximately \$458,000 from the previous fiscal year as previously mentioned, largely driven by the fact that the Network received a Capital Reserve Fund Appropriation of \$1,000,000 for FY 2015-16.

### ***Fund Financial Analysis:***

The Network uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### ***Governmental Funds:***

The focus of the Network's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Network's financing requirements. In particular, the unassigned and restricted fund balances may serve as a useful measure of the Network's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Network's governmental funds reported combined ending fund balances of approximately \$8.1 million, an increase of approximately \$1.6 million for the year.

Unassigned fund balance accounts for approximately 80.9% or \$6.6 million, of ending fund balance, and is available for administrative expenditures made in accordance with federal and State regulations.

Restricted fund balance accounts for approximately 16.1% or \$1,319,000 of ending fund balance, and excludes amounts that can only be spent for specific purposes stipulated by the State, external resource providers, or through enabling legislation. The Network's restricted fund balance consists primarily of amounts restricted for capital projects.

Non-spendable fund balance accounts for approximately 3.0% or \$251,171 of ending fund balance, and represents prepaid items.

### ***Capital Assets***

The Network's Capital Assets net of depreciation were approximately \$19 million at June 30, 2016. This investment in capital assets includes land, buildings and improvements, equipment and furniture, vehicles and construction in progress. Table 3 summarizes capital assets at June 30, 2016 and June 30, 2015.

<b>SC ETV Capital Assets</b>	<u>2016</u>	<u>2015</u>
Land	<b>\$ 583,269</b>	\$ 583,269
Building & improvements	<b>19,309,952</b>	19,309,950
Equipment & furniture	<b>71,920,451</b>	72,043,010
Vehicles	<b>1,160,599</b>	1,167,086
Construction in progress	<b>237,951</b>	-
 Total cost	 <b>93,212,222</b>	 93,103,315
Less: accumulated depreciation	<u><b>74,158,570</b></u>	<u>73,056,606</u>
Net capital assets	<u><b>\$ 19,053,652</b></u>	<u>\$ 20,046,709</u>

The net decrease in the Network's investment in capital assets for the current fiscal year was approximately \$993 thousand and can be attributed to depreciation expense related to the completion of construction in the Telecommunications Center in the previous fiscal year. Total depreciation expense decreased for the year but exceeded additions.

### ***Economic Outlook***

The South Carolina Educational Television Commission continues to identify new sources of revenue and to improve its operating efficiencies. In 2015-16, state funding for the Network for IT broadcast security and transparency increased by \$277,000 and these funds were placed in the General Fund. The Network also received \$1 million in capital reserve, non-recurring funding for the Network's infrastructure, known as TowerNet. This was the first time in more than a decade that the State provided this type of non-recurring capital funding to the Network, and was in recognition of the infrastructure the Network supports to provide education, broadcast services, emergency communications, public safety and transparency for the state. The Network continued to receive \$4.8 million in EIA funding for its educational efforts, as well as Proviso funding from the Department of Administration and the Law Enforcement Council with combined totals of \$1.4 million for emergency communications and transparency.

Proviso 117.80 continues to direct the proceeds from the broadband spectrum lease to the Network. This lease was entered into by the Network, the Department of Administration (previously the South Carolina State Budget and Control Board) and two

private companies in November 2009. The lease agreements are now held by one company, and should the company default on lease payments, (now up to \$3.4 million annually) this money would be lost until another lessee could be found. Proviso 93.17 directed licensing agreements' revenue for uses on the Network and other state towers to continue to be received by the Network.

The Network received grants from a number of sources for programming and education initiatives ranging from the Humanities Council of South Carolina for \$25,000 for the Pulitzer Prize Campfires Initiative, a CPB grant for \$250,000 for 18 months to support ETV Radio reporting on flood coverage, following the aftermath of the 2015 floods, and a Telehealth contract for \$154,875 from the Medical University Hospital Authority (MUHA) on coverage of health related services through telecommunications technologies. The Network generated more than \$148,000 in live shots, providing newsmaker interviews from South Carolina over national cable and broadcast channels.

During FY 2015-16, the Network developed a plan, working with the ETV Commission, regarding the nationwide FCC Auction, which enabled all broadcasters to sell or convert spectrum in an auction with buyers represented by telecommunications and wireless companies. At this writing, the Network expects to receive spectrum auction proceeds in FY 2017-18, and this funding will be utilized to shore up the Network's massive infrastructure of towers and other equipment and building structures across the state.

The Legislature passed a new proviso to direct the Network to begin managing licensing contracts for all state towers, not just the towers it oversees as of FY 2016-17. This activity was previously handled by the Department of Administration. The Network is working to develop customer service, billing and administrative support to manage this activity. Also in FY 2015-16, the Legislature passed additional annual funding of \$565,000 in staffing and operational support for engineering, building and administrative support towards TowerNet, as well as \$1,750,000 million in non-recurring capital funding, both funding sources to be allocated in FY 2016-17. This funding will go a long way towards the Network beginning the process to repair and rebuild aging infrastructure and equipment.

### ***Requests For Information***

This financial report is designed to provide a general overview of the South Carolina Educational Television Commission's finances for all of the Network's taxpayers, customers and creditors. This financial report seeks to demonstrate the Network's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

South Carolina Educational Television Commission  
Chief Financial Officer  
1041 George Rogers Boulevard  
Columbia, South Carolina 29201

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENTS OF NET POSITION  
JUNE 30,**

	<b>2016</b>	<b>2015</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,404,008	\$ 7,062,334
Restricted cash	1,318,809	928,062
Accounts receivable, net of allowance for doubtful accounts of \$20,120 and \$3,669 at June 30, 2016 and 2015, respectively	372,541	381,218
Prepaid expenses	251,172	408,132
Total current assets	11,346,530	8,779,746
Non-current assets		
Capital assets, net of accumulated depreciation	19,053,652	20,046,709
Prepaid expenses, net of current portion	-	31,210
Total non-current assets	19,053,652	20,077,919
<b>Total assets</b>	<b>30,400,182</b>	<b>28,857,665</b>
Deferred outflows of resources related to net pension liability	953,999	836,319
<b>Total deferred outflows of resources</b>	953,999	836,319
<b>Total assets and deferred outflows of resources</b>	<b>\$ 31,354,181</b>	<b>\$ 29,693,984</b>
 <b>LIABILITIES AND NET POSITION</b>		
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 107,239	\$ 60,263
Accrued salaries and related benefits	663,735	644,025
Unearned revenue	2,402,049	1,491,118
Current portion of accrued compensated absences and related benefits	811,103	864,796
Total current liabilities	3,984,126	3,060,202
Noncurrent liabilities:		
Accrued compensated absences and related benefits, net of current portion	383,615	283,584
Net pension liability	12,077,219	11,079,109
Total noncurrent liabilities	12,460,834	11,362,693
<b>Total liabilities</b>	<b>16,444,960</b>	<b>14,422,895</b>
Deferred inflows of resources related to net pension liability	114,292	934,050
<b>Total liabilities and deferred inflows of resources</b>	16,559,252	15,356,945
 <b>Net Position:</b>		
Net investment in capital assets	19,053,652	20,046,709
Restricted:		
Capital projects	707,517	1,019,903
Capital reserve	611,292	93
Unrestricted	(5,577,532)	(6,729,666)
<b>Total net position</b>	<b>\$ 14,794,929</b>	<b>\$ 14,337,039</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30,**

	<b>2016</b>	<b>2015</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
Expenses:		
Educational broadcasting:		
Personal services	<b>\$ 8,639,993</b>	\$ 8,542,950
Pension expense	<b>60,373</b>	253,845
Other operating costs	<b>10,697,344</b>	10,325,505
Depreciation	<b>1,681,340</b>	1,758,973
	<hr/>	<hr/>
Total program expenses	<b>21,079,050</b>	20,881,273
 Program revenues:		
Charges for services	<b>1,959,583</b>	1,893,365
Operating grants and contributions	<b>7,394,483</b>	7,753,844
Capital grants and contributions	<b>16,666</b>	189,903
	<hr/>	<hr/>
Net program expenses	<b>11,708,318</b>	11,044,161
 General revenues:		
Contributions	<b>6,244,360</b>	5,551,938
Gain on sale of capital assets	<b>100,392</b>	16,415
Intergovernmental - State Agencies	<b>4,821,456</b>	4,621,844
Intergovernmental - State Agencies - Capital Appropriation	<b>1,000,000</b>	-
Total general revenues and transfers	<b>12,166,208</b>	10,190,197
	<hr/>	<hr/>
Increase (decrease) in net position	<b>457,890</b>	(853,964)
 Net position - beginning of year	<b>14,337,039</b>	15,191,003
	<hr/>	<hr/>
Net position end of year	<b>\$ 14,794,929</b>	\$ 14,337,039
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*The accompanying notes are an integral part of these financial statements.*



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2016**

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,254,875	\$ 2,745,373	\$ 403,760	\$ -	\$ 9,404,008
Restricted cash	611,292	-	-	707,517	1,318,809
Accounts receivable	196,556	-	140,000	-	336,556
Prepaid expenses	219,962	31,209	-	-	251,171
<b>TOTAL ASSETS</b>	<b>\$ 7,282,685</b>	<b>\$ 2,776,582</b>	<b>\$ 543,760</b>	<b>\$ 707,517</b>	<b>\$ 11,310,544</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 100,475	\$ 6,764	\$ -	\$ -	\$ 107,239
Accrued salaries and related benefits	440,113	216,632	6,990	-	663,735
Unearned revenues	-	1,798,407	603,642	-	2,402,049
<b>TOTAL LIABILITIES</b>	<b>540,588</b>	<b>2,021,803</b>	<b>610,632</b>	<b>-</b>	<b>3,173,023</b>
<b>FUND BALANCES:</b>					
Nonspendable	219,962	31,209	-	-	251,171
Restricted for capital projects/reserves	611,292	-	-	707,517	1,318,809
Unassigned	5,910,843	723,570	(66,872)	-	6,567,541
<b>TOTAL FUND BALANCES</b>	<b>6,742,097</b>	<b>754,779</b>	<b>(66,872)</b>	<b>707,517</b>	<b>8,137,521</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,282,685</b>	<b>\$ 2,776,582</b>	<b>\$ 543,760</b>	<b>\$ 707,517</b>	<b>\$ 11,310,544</b>

**The accompanying Notes to Financial Statements are an integral part of these financial statements.**

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2015**

	General	Education Improvement Act	Non-Federal Grants	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,154,886	\$ 1,581,816	\$ 325,631	\$ -	\$ 7,062,333
Restricted cash	-	-	-	928,062	928,062
Accounts receivable	315,155	-	-	-	315,155
Prepaid expenses	1,936	437,406	-	-	439,342
<b>TOTAL ASSETS</b>	<b>\$ 5,471,977</b>	<b>\$ 2,019,222</b>	<b>\$ 325,631</b>	<b>\$ 928,062</b>	<b>\$ 8,744,892</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 45,116	\$ 15,146	\$ -	\$ -	\$ 60,262
Accrued salaries and related benefits	411,828	225,546	6,651	-	644,025
Unearned revenues	-	1,107,622	383,496	-	1,491,118
<b>TOTAL LIABILITIES</b>	<b>456,944</b>	<b>1,348,314</b>	<b>390,147</b>	<b>-</b>	<b>2,195,405</b>
<b>FUND BALANCES:</b>					
Nonspendable	1,936	437,406	-	-	439,342
Restricted for capital projects	93	-	-	928,062	928,155
Unassigned	5,013,004	233,502	(64,516)	-	5,181,990
<b>TOTAL FUND BALANCES</b>	<b>5,015,033</b>	<b>670,908</b>	<b>(64,516)</b>	<b>928,062</b>	<b>6,549,487</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,471,977</b>	<b>\$ 2,019,222</b>	<b>\$ 325,631</b>	<b>\$ 928,062</b>	<b>\$ 8,744,892</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
RECONCILIATIONS OF GOVERNMENTAL FUND BALANCE  
TO NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30,**

	<u>2016</u>	<u>2015</u>
<b>Reconciliations to the statement of net position:</b>		
Fund balances of governmental funds	<b>\$ 8,137,521</b>	\$ 6,549,487
Amounts reported for governmental activities in the statement of net position are different because:		
Liabilities are not due and payable in the current period, therefore, are not reported in the funds:		
Accrued compensated absences and related benefits	<b>(1,194,718)</b>	(1,148,380)
Assets are not available for expenditures, therefore, are not recorded as revenues in the governmental funds	<b>35,985</b>	66,063
The net pension liability and related deferred inflows and outflows of resources are not due and payable in the current year and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position:		
Net pension liability	<b>(12,077,219)</b>	(11,079,109)
Deferred outflows of resources for contributions after the retirement plan's measurement date	<b>658,590</b>	522,384
Deferred outflows of resources for differences between expected and actual retirement plan experience	<b>295,410</b>	313,935
Deferred inflows of resources for differences between projected and actual investment experience	<b>(21,598)</b>	(934,050)
Deferred inflows of resources for differences in the proportionate share of net pension liability	<b>(92,694)</b>	-
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds:		
Capital assets, net of accumulated depreciation	<b><u>19,053,652</u></b>	<u>20,046,709</u>
Net position of governmental activities	<b><u>\$ 14,794,929</u></b>	<u>\$ 14,337,039</u>

***The accompanying notes are an integral part of these financial statements.***

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Contributions	\$ 6,244,360	\$ -	\$ -	\$ -	\$ 6,244,360
Intergovernmental - State Agencies	4,821,456	-	-	-	4,821,456
Intergovernmental - Capital Reserve	1,000,000	-	-	-	1,000,000
Program sales	50,655	-	-	-	50,655
Corporation for Public Broadcasting, Inc. grant	2,457,407	-	-	-	2,457,407
Education Improvement Act	-	4,773,347	-	-	4,773,347
Federal Grants	-	-	-	16,666	16,666
Private grants and contracts	-	-	163,729	-	163,729
Charges for services	731,770	-	-	-	731,770
Rental fees	849,144	-	-	-	849,144
Royalties	62,147	-	-	-	62,147
Insurance claims	143,341	-	-	-	143,341
Miscellaneous	52,212	-	-	-	52,212
<b>TOTAL REVENUES</b>	<b>\$ 16,412,492</b>	<b>\$ 4,773,347</b>	<b>\$ 163,729</b>	<b>\$ 16,666</b>	<b>\$ 21,366,234</b>
<b>EXPENDITURES:</b>					
Internal Administration	\$ 2,063,507	\$ 45,016	\$ -	\$ -	\$ 2,108,523
Programs & Services:					
Engineering Administration	164,413	51,658	-	-	216,071
Transmissions & Reception	2,176,951	1,695,862	3,445	982	3,877,240
Communications	645,377	18	-	-	645,395
Pre-K Education	-	61,495	-	-	61,495
K-12 Education	162,656	1,648,300	3,202	-	1,814,158
Higher Education	91,368	257,333	-	-	348,701
Agency Local Other Education Services	66,162	707,652	750	-	774,564
Training & Assessment	99	195,464	-	-	195,563
Radio Content	1,837,009	-	8,797	-	1,845,806
National Content	1,904,069	-	69,170	-	1,973,239
Local & Transparency	3,926,140	26,112	80,721	-	4,032,973
Regional Operations	458,367	566	-	-	458,933
Development/Fundraising	418,727	-	-	-	418,727
Underwriting	383,005	-	-	-	383,005
Marketing	33,224	-	-	-	33,224
Equipment and materials purchased for resale	2,691	-	-	-	2,691
Capital outlay	452,055	-	-	236,229	688,284
<b>TOTAL EXPENDITURES</b>	<b>14,785,820</b>	<b>4,689,476</b>	<b>166,085</b>	<b>237,211</b>	<b>19,878,592</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,626,672</b>	<b>83,871</b>	<b>(2,356)</b>	<b>(220,545)</b>	<b>1,487,642</b>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from sale of capital assets	100,392	-	-	-	100,392
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>100,392</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,392</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,727,064</b>	<b>83,871</b>	<b>(2,356)</b>	<b>(220,545)</b>	<b>1,588,034</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>5,015,033</b>	<b>670,908</b>	<b>(64,516)</b>	<b>928,062</b>	<b>6,549,487</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 6,742,097</b>	<b>\$ 754,779</b>	<b>\$ (66,872)</b>	<b>\$ 707,517</b>	<b>\$ 8,137,521</b>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	General	Education Improvement Act	Non Federal Grants	Capital Projects	Total Governmental Funds
<b>REVENUES:</b>					
Contributions	\$ 5,551,938	\$ -	\$ -	\$ -	\$ 5,551,938
Intergovernmental - State Agencies	4,621,844	-	-	-	4,621,844
Program sales	24,135	-	-	-	24,135
Corporation for Public Broadcasting, Inc. grant	2,327,449	-	-	-	2,327,449
Education Improvement Act	-	5,237,202	-	-	5,237,202
Federal Grants	-	-	-	189,903	189,903
Private grants and contracts	-	-	189,193	-	189,193
Charges for services	676,479	-	-	-	676,479
Rental fees	997,724	-	-	-	997,724
Royalties	103,097	-	-	-	103,097
Resale of equipment	58,148	-	-	-	58,148
Miscellaneous	32,316	-	-	-	32,316
<b>TOTAL REVENUES</b>	<b>\$ 14,393,130</b>	<b>\$ 5,237,202</b>	<b>\$ 189,193</b>	<b>\$ 189,903</b>	<b>\$ 20,009,428</b>
<b>EXPENDITURES:</b>					
Internal Administration	\$ 2,298,512	\$ 23,673	\$ -	\$ -	\$ 2,322,185
Programs & Services:					
Engineering Administration	162,624	101,023	-	-	263,647
Transmissions & Reception	2,511,367	1,900,806	37,719	96,143	4,546,035
Communications	269,652	-	-	-	269,652
Pre-K Education	-	60,832	-	-	60,832
K-12 Education	58,654	1,186,994	70,763	-	1,316,411
Higher Education	56,258	195,815	-	-	252,073
Agency Local Other Education Services	100,831	844,137	18,682	-	963,650
Training & Assessment	-	194,978	-	-	194,978
Radio Content	1,548,350	-	-	-	1,548,350
National Content	1,226,290	-	62,276	-	1,288,566
Local & Transparency	4,433,741	58,036	64,269	-	4,556,046
Regional Operations	394,529	-	-	-	394,529
Development/Fundraising	393,382	-	-	-	393,382
Underwriting	438,851	-	-	-	438,851
Marketing	37,812	-	-	-	37,812
Equipment and materials purchased for resale	4,166	-	-	-	4,166
Capital outlay	-	-	-	185,601	185,601
<b>TOTAL EXPENDITURES</b>	<b>13,935,019</b>	<b>4,566,294</b>	<b>253,709</b>	<b>281,744</b>	<b>19,036,766</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>458,111</b>	<b>670,908</b>	<b>(64,516)</b>	<b>(91,841)</b>	<b>972,662</b>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from sale of capital assets	16,415	-	-	-	16,415
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>16,415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,415</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>474,526</b>	<b>670,908</b>	<b>(64,516)</b>	<b>(91,841)</b>	<b>989,077</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>4,540,507</b>	<b>-</b>	<b>-</b>	<b>1,019,903</b>	<b>5,560,410</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 5,015,033</b>	<b>\$ 670,908</b>	<b>\$ (64,516)</b>	<b>\$ 928,062</b>	<b>\$ 6,549,487</b>

*The accompanying notes are an integral part of these financial statements.*

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**RECONCILIATIONS OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN GOVERNMENTAL FUND BALANCE TO CHANGE IN NET POSITION  
FOR THE YEAR ENDED JUNE 30,**

<b>RECONCILIATIONS TO THE STATEMENT OF ACTIVITIES:</b>	<u>2016</u>	<u>2015</u>
Revenues and other financing sources over expenditures and other financing uses	<b>\$ 1,588,034</b>	\$ 989,077
Amounts reported for governmental activities in the statement of activities are different because:		
Costs of capital assets are reported as expenditures in the governmental funds, but are recorded as capital asset additions in the statement of net position	<b>688,284</b>	185,601
Depreciation of capital assets is reported as an expense in the statement of activities	<b>(1,681,340)</b>	(1,758,974)
Certain receivables are not recorded in the governmental funds because they are not considered available	<b>(30,377)</b>	1,468
Some expenses reported in the statement of activities do not require the use of current resources and, therefore, are not reported as expenditures in governmental funds:		
Proportionate share of pension expense	<b>(60,373)</b>	(253,845)
Change in accrued compensated absences and related benefits	<b>(46,338)</b>	(17,291)
<b>CHANGE IN NET POSITION</b>	<b><u>\$ 457,890</u></b>	<b><u>\$ (853,964)</u></b>

*The accompanying notes are an integral part of these financial statements.*

# SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Carolina Educational Television Commission (the "Network") conform to accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body in the United States of America for establishing governmental accounting and financial reporting principles. The Network's significant accounting principles are described below.

#### Reporting Entity

The Network is responsible for the administration of the South Carolina Educational Television Commission systems. The Network is an agency of the State of South Carolina established by Section 59-7-10 of the Code of Laws of South Carolina.

The ETV Commission members are the governing body of the Network. There are nine members of the ETV Commission. The Governor appoints a member to the ETV Commission from each Congressional District and a member at-large who serves as Chairman. The State Superintendent of Education serves as an ex-officio member of the Commission.

The funds and account groups of the Network are included in the Comprehensive Annual Financial Report of the State of South Carolina, the primary government. The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Network has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget;
- (2) Levies taxes or set rates or charges without approval by another government; or,
- (3) Issues bonded debt without approval by another government.

The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Network.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance.

The Network reports the following major funds:

**General Fund** - The general fund accounts for all activities except those required to be accounted for in another fund. Revenues include the annual state appropriation as approved by the General Assembly, Corporation for Public Broadcasting, Inc. ("CPB") grant funds, program sales, royalties, charges for services, contributions and cost reimbursements. The revenues are used for general ongoing governmental services such as administration, maintenance, program development and production, transmission and reception of programs, and debt service. Program sales revenues report amounts received from State agencies, the ETV Endowment and others for services related to and for support of programming, production and broadcasting of programs. The Network reports as charges for services revenue income from the ETV Endowment primarily for reimbursement of administrative services and other costs and income from State agencies and other entities for services not related to production of programs and for certain equipment.

**Educational Improvement Act ("EIA") Fund** – This fund is a special revenue fund that generally records the expenditure of revenues and contributions that are restricted to specific programs or projects. Revenues are restricted for certain purposes. The Network received an EIA allocation in the 2014-15 and 2015-16 South Carolina Appropriations Act in lieu of a general fund appropriation. The fund recognizes revenue when the expenditure is incurred.

**Grants Non Federal** – This fund accounts for private grants.

**Capital Projects Fund** – This fund accounts for federal grants, private grants and contracts, funds received from the State from capital improvement bonds and capital reserve fund appropriations and expenditures made from these resources.

**Government-wide and Fund Financial Statements**

The Government-wide financial statements are prepared on the accrual basis of accounting and include a statement of net position, which disclosed the financial position of the Network. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Measurement Focus, Basis of accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Network uses different availability periods for recognizing these revenues. Grant revenues are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues from sales of goods and services are recognized if received within one month after fiscal year-end. Other revenues are recognized if expected to be collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Network, available means expected to be received within one year of the fiscal year-end.

Nonexchange transactions, in which the Network receives value without directly giving value in return, include grants and contributions. On an accrual basis, revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Network must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Network on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Capital Assets**

Capital assets are recorded at cost at the date of acquisition and acquisition value at the date of donation in the case of gifts. The Network follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The Network capitalized movable personal property with a unit value in excess of \$5,000 and a useful life in excess of one year and buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Budget Policy**

The Network is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Department. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds.

The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The South Carolina General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

**Cash and Cash Equivalents**

The amounts shown in the financial statements as "cash and cash equivalents" represent petty cash, cash on hand with the State Treasurer, and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies, including the Network, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds. For credit risk information pertaining to the cash management pool, see the deposits disclosure in Note 3.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Network records and reports its deposits in the general deposit accounts at cost and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Network's special deposit accounts is posted to the Network's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Network's accumulated daily interest receivable to the total income receivable of the pool. Reported interest income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value of investments in the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition.

**Restricted Cash**

The Network's restricted cash consists mostly of amounts restricted for capital projects namely the renovation of the Telecommunication Center.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Accounts Receivable**

Accounts receivable consists primarily of amounts due for sales, services and rentals. The Network established an allowance for doubtful accounts based on historical data and an analysis of the aged receivables at year-end. The balance on the financial statements is shown net of the allowance of approximately \$20,100 and \$3,700 at June 30, 2016 and 2015, respectively.

**Prepaid Expenses**

Prepaid expenses are accounted for using the consumption method. Prepaid expenses consist primarily of payments made for a contract for the streaming of educational content to K-12 schools through the internet. For financial statement purposes, prepaid expenses are offset by a nonspendable fund balance account because the asset does not represent resources available for expenditures.

**Compensated Absences**

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the agency's working days of the month are entitled to accrue and carry forward at calendar year-end maximums of 180 days sick leave and of 45 days annual vacation leave. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The leave liability also includes an estimate for accrued sick leave and leave from the agency's leave transfer pool for employees who have been approved as leave recipients under personal emergency circumstances that commenced on or before June 30, 2016 and 2015. The Network calculates the gross compensated absences liability based on recorded balances of unused leave. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year-end current salary costs and the cost of the salary-related benefit payments, is recorded as a liability in the statement of net assets.

**Net Position / Fund Balances**

The Network reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The Network reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if the Commission Board of the Network constrains the use of resources. Fund balance is reported as assigned if the fund balance is constrained by the Commission's intent to use the funds for a specific purpose. Committed constraints can be removed only through similar action that created the constraint. Unassigned fund balances are all fund balances that do not meet the definition of "restricted", "assigned" "non-spendable" or "committed".

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund.

When both restricted and unrestricted resources (committed, assigned, and unassigned) are available for use, it is the Network's policy to use restricted resources first, then unrestricted resources as they are needed.

**Unearned Revenues**

Unearned revenues consist primarily of certain private grant contract revenues received before services required by the grantor or donor have been rendered.

**Deferred Outflows of Resources**

Deferred outflows of resources consists of contributions to the retirement plan after the measurement date, the differences between expected and actual retirement plan experience, and the difference between projected and actual investment earnings as required by the implementation of GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27"*.

**Deferred Inflows of Resources**

Deferred inflows of resources consist of the Network's proportionate share of the net difference between projected and actual investment earnings, the difference between expected and actual retirement plan experience, and change in proportionate share of net pension liability. This is now reflected in deferred inflows of resources with the requirement of GASB Statement No. 68.

**CPB Grants**

The Network annually receives a grant from the CPB. The CPB is a non-federal, non-governmental, not-for-profit organization that receives grants from the federal government, the private sector, and other sources. The CPB then allocates grants to public television stations nationwide for community service and these funds are unrestricted for broadcasting operations.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses/expenditures and affect disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. The most significant estimates include in these financial statements are the estimated useful lives of property and equipment and the actuarially calculated net pension liability. Actual results could differ from those estimates.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 2. STATE APPROPRIATION AND OTHER STATE FUNDING:**

The Network received a State Appropriation in the 2015-16 Appropriation Act of \$277,000. Pursuant to Proviso 117.94 and 117.90 of the 2014-15 and 2015-16 State Appropriations Act, the Network received \$1,412,513 in fiscal years 2015 and 2016 from the Criminal Justice Academy and the South Carolina Department of Administration (formerly the South Carolina Budget and Control Board). The budget provision directed the agencies to transfer the funds to the Network.

The 2014-15 and 2015-16 State Appropriations Act included \$4,829,281 in EIA funds for the Network. EIA funds were transferred to the Network directly by the Department of Revenue.

Pursuant to Proviso 117.84 and 117.80 of the 2014-15 and 2015-16 State Appropriations Act, the Network received \$3,209,331 and \$3,408,943 respectively for the 30 year Broadband Spectrum Lease executed in 2009.

Proviso 93.17 of the 2015-16 State Appropriations Act refers to proceeds coordinated by the Budget and Control Board (subsequently the South Carolina Department of Administration) for tower and antenna operations within South Carolina state government. This proviso requires that all revenue from tower and antenna leases entered into after July 1, 2001 to be collected by the Department of Administration and transferred to the Network for agency operations. In fiscal years 2015 and 2016, \$474,000 and \$517,967, respectively, was transferred to the Network.

The Network received a Capital Reserve Fund Appropriation of \$1,000,000 for FY 2015-16. The Network incurred \$388,801 in expenditures and carried forward \$611,199 pursuant to Bill H.3702.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3. DEPOSITS:**

All deposits of the Network are under the control of the State Treasurer, who, by law, has sole authority for investing State funds.

The following schedule for fiscal year 2016 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 9,404,008	Petty Cash	\$ 0
Restricted Cash	<u>1,318,809</u>	Deposits Held by State Treasurer	<u>10,722,817</u>
Totals	<u>\$ 10,722,817</u>	Totals	<u>\$ 10,722,817</u>

The following schedule for fiscal year 2015 reconciles deposits within the footnotes to the financial statement amounts:

<u>Financial Statements</u>		<u>Footnotes</u>	
Cash and Cash Equivalents	\$ 7,062,334	Petty Cash	\$ 200
Restricted Cash	<u>928,062</u>	Deposits Held by State Treasurer	<u>7,990,196</u>
Totals	<u>\$ 7,990,396</u>	Totals	<u>\$ 7,990,396</u>

**Deposits Held by State Treasurer**

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina. Financial statements for the South Carolina Local Government Investment Pool can be obtained from [www.osa.sc.gov](http://www.osa.sc.gov).

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4. CAPITAL ASSETS:**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2016:

	Beginning Balances June 30, 2015	Increases	Decreases	Ending Balances June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	-	237,951	-	237,951
Total capital assets not being depreciated	<u>583,269</u>	<u>237,951</u>	<u>-</u>	<u>821,220</u>
Other capital assets:				
Buildings and improvements	19,309,952	-	-	19,309,952
Equipment and furniture	72,043,010	663,429	(785,988)	71,920,451
Vehicles	1,167,086	24,855	(31,342)	1,160,599
Total other capital assets	<u>92,520,048</u>	<u>688,284</u>	<u>(817,330)</u>	<u>92,391,002</u>
Less accumulated depreciation for:				
Buildings and improvements	7,211,662	569,988	-	7,781,650
Equipment and furniture	64,794,485	1,078,296	(548,036)	65,324,745
Vehicles	1,050,461	33,056	(31,342)	1,052,175
Total accumulated depreciation	<u>73,056,608</u>	<u>1,681,340</u>	<u>(579,378)</u>	<u>74,158,570</u>
Other capital assets, net	<u>19,463,440</u>	<u>(993,056)</u>	<u>(237,952)</u>	<u>18,232,432</u>
Total capital assets, net	<u>\$20,046,709</u>	<u>(755,105)</u>	<u>(237,952)</u>	<u>\$19,053,652</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4. CAPITAL ASSETS (continued):**

The following schedule summarizes capital assets activity for the Network for the fiscal year 2015:

	Beginning Balances June 30, 2014	Increases	Decreases	Ending Balances June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 583,269	\$ -	\$ -	\$ 583,269
Construction in progress	27,146	-	(27,146)	-
Total capital assets not being depreciated	<u>610,415</u>	<u>-</u>	<u>(27,146)</u>	<u>583,269</u>
Other capital assets:				
Buildings and improvements	19,285,037	24,915	-	19,309,952
Equipment and furniture	71,922,818	120,192	-	72,043,010
Vehicles	1,213,901	67,640	(114,455)	1,167,086
Total other capital assets	<u>92,421,756</u>	<u>212,747</u>	<u>(114,455)</u>	<u>92,520,048</u>
Less accumulated depreciation for:				
Buildings and improvements	6,639,903	571,759	-	7,211,662
Equipment and furniture	63,640,961	1,153,524	-	64,794,485
Vehicles	1,131,225	33,691	(114,455)	1,050,461
Total accumulated depreciation	<u>71,412,089</u>	<u>1,758,974</u>	<u>(114,455)</u>	<u>73,056,608</u>
Other capital assets, net	<u>21,009,667</u>	<u>(1,546,227)</u>	<u>-</u>	<u>19,463,440</u>
Total capital assets, net	<u>\$21,620,082</u>	<u>\$(1,546,227)</u>	<u>\$ (27,146)</u>	<u>\$20,046,709</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was approximately \$1.7 million and \$1.8 million, respectively. Construction in progress consisted of costs incurred for engineering equipment not yet placed into service at June 30, 2016, and costs incurred for the renovation of the Network's Telecommunications building at June 30, 2015.

Pursuant to Proviso 73.18 of the 2004-05 Appropriations Act, the Network transferred ownership of land and buildings to the State under the control of the Department of Administration effective July 1, 2004. The State considers these assets to be owned by the Network for reporting purposes. The Network is responsible for all costs of maintaining the properties including the costs of insurance.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5. LEASES:**

**Operating Leases**

The Network conducts part of its operations from leased facilities which include towers and office space. The Network also leases mailroom equipment and copiers. All leases are with external parties. These leases began expiring with fiscal year 2016 and continue through fiscal year 2021. The Network has the option to renew the tower leases upon the expiration of the lease term under conditions agreeable to both parties which primarily is an increase in the lease payment based on the CPI index. All leases with terms of more than twelve months are cancelable without penalty to the Network should the General Assembly not provide funding for these leases. The Network also leases equipment on a month-to-month basis. In the normal course of business, operating leases are generally renewed or replaced by other leases.

The Network is responsible for maintenance on most leased property. Rental payments under all operating leases totaled approximately \$317,000 and \$470,000 for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, the Network's obligations under non-cancelable operating leases having remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2017	\$ 326,145
2018	125,126
2019	43,930
2020	43,930
2021	<u>1,942</u>
Total	<u>\$ 541,073</u>

The Network subleases various properties to third parties. Under these lease agreements for the fiscal years ended June 30, 2016 and 2015 the Network received rent of \$144,899 and \$175,050, respectively.

The minimum rentals to be received under non-cancelable leases with remaining terms in excess of one year are as follows:

Fiscal year ending June 30,

2017	\$ 136,181
2018	54,068
2019	45,900
2020	45,900
2021	45,900
2022-2026	229,500
2027-2031	229,500
2032-2035	<u>107,100</u>
Total	<u>\$ 894,049</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6. LONG-TERM LIABILITIES:**

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Balances, July 1, 2015	Additions	Reductions	Balances, June 30, 2016	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,148,380	\$ 616,017	\$ 569,679	\$ 1,194,718	\$ 811,103
Net pension liability	11,079,109	998,110	-	12,077,219	-
	<u>\$12,227,489</u>	<u>\$1,614,127</u>	<u>\$ 569,679</u>	<u>\$ 13,271,937</u>	<u>\$ 811,103</u>

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balances, July 1, 2014	Additions	Reductions	Balances, June 30, 2015	Due Within One Year
Accrued compensated absences and related benefits	\$ 1,131,089	\$ 717,247	\$ 699,957	\$ 1,148,380	\$ 864,796
Net pension liability	11,542,274	-	463,165	11,079,109	-
	<u>\$12,673,363</u>	<u>\$ 717,247</u>	<u>\$1,163,122</u>	<u>\$ 12,227,489</u>	<u>\$ 864,796</u>

**NOTE 7. RELATED PARTY:**

A significant portion of the funding of the Network is provided by the ETV Endowment of South Carolina, Inc. (the "Endowment") and South Carolina Educational Communications, Inc. (Communications), separately chartered eleemosynary corporations governed by independent boards of trustees over whom the Network exercises no control. The Endowment and Communications provide support services for the Network through the purchasing and underwriting of various programming. The Network recorded approximately \$6,265,000 and \$5,450,000 during the years ended June 30, 2016 and 2015, respectively, from the Endowment and Communications which is reported as contribution revenue. Approximately \$13,500 and \$16,500 was received during the years ended June 30, 2016 and 2015, respectively, as reimbursement of expenses.

**NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES:**

The Network has significant transactions with the State and various State agencies.

Services received at no cost from State agencies include maintenance of certain accounting records and payroll and disbursement processing from the Comptroller General; debt assistance services, check preparation and banking from the State Treasurer; legal services from the Attorney General; and records storage from the Department of Archives and History. Other services received at no cost from the various divisions of the Department of Administration, State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") include retirement plan administration, insurance plan administration, procurement services, grant services, personnel management, assistance in the preparation of the State Budget, property management and record keeping, review and approval of certain budget amendments and other centralized functions.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 8. TRANSACTIONS WITH OTHER STATE AGENCIES (continued):**

The Network had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the Department of Administration, the State Fiscal Accountability Authority, and the South Carolina Public Employee Benefit Authority ("PEBA") for retirement and insurance plan contributions, insurance coverage, printing, telephone, and interagency mail. Approximately \$61,000 and \$144,000 was paid to the State Accident Fund and the Department of Employment and Workforce for worker's compensation and unemployment insurance during the years ended June 30, 2016 and 2015, respectively.

The Network provided no services free of charge to other State agencies during the fiscal years ended June 30, 2016 and 2015. Revenues of approximately \$2,300,000 were received from various State agencies in both 2016 and 2015. Included in this amount was approximately \$1,930,000 and \$1,960,000 in 2016 and 2015, respectively, transferred pursuant to Proviso 117.94 and Proviso 101.4 of the 2014-15 Appropriation Act.

During the fiscal years ended June 30, 2016 and 2015, the Network purchased services with a total cost of approximately \$477,000 and \$560,000, respectively from various State agencies. These expenditures are primarily for taxes, insurance, telecommunications and other contracted services.

**NOTE 9. PENSION PLAN:**

The PEBA, which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the State of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the State.

**Plan Descriptions**

- The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.
- The State Optional Retirement Program ("State ORP") is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.
- The Network does not participate in the Police Officers Retirement System ("PORS").

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

*Membership*

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution (5.75 percent) and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.

*Benefits*

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

*Contributions*

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

Required employee contribution rates<sup>1</sup> for fiscal year 2015-2016 are as follows:

**SCRS**

Employee Class Two	8.16% of earnable compensation
Employee Class Three	8.16% of earnable compensation

**State ORP Employee**

8.16% of earnable compensation

Required employee contribution rates<sup>1</sup> for fiscal year 2014-2015 are as follows:

**SCRS**

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

**State ORP Employee**

8.00% of earnable compensation

Required employer contribution rates for fiscal year 2015-2016 are as follows:

**SCRS**

Employer Class Two	10.91% of earnable compensation
Employer Class Three	10.91% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**State ORP Employee**

Employer Contribution	10.91% of earnable compensation <sup>2</sup>
Employer Incidental Death Benefit	0.15% of earnable compensation

Required employer contribution rates for fiscal year 2014-2015 are as follows:

**SCRS**

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

**State ORP Employee**

Employer Contribution	10.75% of earnable compensation <sup>2</sup>
Employer Incidental Death Benefit	0.15% of earnable compensation

<sup>1</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws

<sup>2</sup> Of this employer contribution of earnable compensation, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

**Actuarial Assumptions and Methods**

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2015, and the next experience study, is scheduled to be conducted after the June 30, 2016 annual valuation.

The June 30, 2015, total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (“GRS”) and are based on the July 1, 2014, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2014. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ended June 30, 2015, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2014, valuations for SCRS.

	<b>SCRS</b>
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)
Includes inflation at	2.75%
Benefit adjustments	lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2014 valuation for SCRS are as follows:

<b>Former Job Class</b>	<b>Males</b>	<b>Females</b>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

**Net Pension Liability**

The net pension liability ("NPL") is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. As of June 30, 2016 and 2015 the Network's proportional share of the NPL amounts for SCRS is presented below:

<b>System</b>	<b>Proportional Share of Net Pension Liability</b>
SCRS – 2016	\$12,077,219
SCRS – 2015	\$11,079,109

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Network's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the years ending June 30, 2016 and 2015, the Network's percentage of the SCRS net pension liability was 0.063680% and 0.0643510% respectively.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as Developed by the Retirement Systems Investment Commission in collaboration with its investment consultant. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economics forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics, and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the Investment Commission for fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return set in stature and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.



**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long Term Expected Portfolio Real Rate of Return</b>
<b>Short Term</b>	<b>5.0%</b>		
Cash	2.0	1.9%	0.04%
Short Duration	3.0	2.0	0.06
<b>Domestic Fixed Income</b>	<b>13.0</b>		
Core Fixed Income	7.0	2.7	0.19
Mixed Credit	6.0	3.8	0.23
<b>Global Fixed Income</b>	<b>9.0</b>		
Global Fixed Income	3.0	2.8	0.08
Emerging Markets Debt	6.0	5.1	0.31
<b>Global Public Equity</b>	<b>31.0</b>	<b>7.1</b>	<b>2.20</b>
<b>Global Tactical Asset Allocation Alternatives</b>	<b>10.0</b>	<b>4.9</b>	<b>0.49</b>
Hedge Funds (Low Beta)	8.0	4.3	0.34
Private Debt	7.0	9.9	0.69
Private Equity	9.0	9.9	0.89
Real Estate (Broad Market)	5.0	6.0	0.30
Commodities	3.0	5.9	0.18
 Total Expected Real Return	 <u>100.0%</u>		 <u>6.00</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u>8.75%</u>

*Sensitivity Analysis*

The following table presents the Network's proportional share of net pension liability calculated using the discount rate of 7.50 percent, as well as what the Network's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<b>Sensitivity of the Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>			
<b>System</b>	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
SCRS – 2016	\$ 15,225,922	\$ 12,077,219	\$ 9,438,205
SCRS – 2015	\$ 14,337,052	\$ 11,079,109	\$ 8,361,049

*Additional Financial and Actuarial Information*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2015 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2015.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION PLAN (continued):**

**Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2016, the Network recognized pension expense of approximately \$60,000 which is included in the statement of activities. At June 30, 2016, the Network reported deferred outflows (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 658,589	\$ —
Differences in actual and expected retirement plan experience	214,571	(21,598)
Net differences between projected and actual earnings on plan investments	80,839	—
Change in proportionate share of net pension liability	—	(92,694)
	\$ 953,999	\$ (114,292)

The Network reported \$658,589 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Network's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2016. Average remaining services lives of all employees provided with pensions through the pension plans at June 30, 2016 and 2015 was 4.164 and 4.233 years, respectively, for SCRS.

Measurement Period Ending June 30,	Fiscal Year Ending June 30,	SCRS
2016	2017	\$ 22,409
2017	2018	22,409
2018	2019	(51,293)
2019	2020	187,593
Net balance of deferred outflows (inflows) of resources		\$ 181,118

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS:**

**Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The Network contributes to the South Carolina Retiree Health Insurance Trust Fund ("SCRHITF") and the South Carolina Long-Term Disability Insurance Trust Fund ("SCLTDITF"), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division ("IB"), a part of PEBA. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued):**

For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system.

Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.33% of annual covered payroll for 2016, 5.00% of annual covered payroll for 2015, and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The Network paid approximately \$227,000, \$246,000, and \$294,000 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2016, 2015 and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2016 through 2014.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**NOTE 11. DEFERRED COMPENSATION PLANS:**

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the Network have elected to participate. The multiple-employer plans, created under Internal Revenue Code Section 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee.

The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 12. RISK MANAGEMENT:**

The Network is exposed to various risks of loss and maintains State or commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years. The Network pays insurance premiums to certain other State agencies and commercial insurers to cover risks that may occur in normal operations. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles.

State management believes it is more economical to manage certain risks internally and to set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits. This type of claim is handled through the South Carolina Department of Employment and Workforce.
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries. This type of claim is handled by the State Accident Fund.
3. Claims of covered public employees for health and dental insurance benefits. This type of claim is handled by the South Carolina Public Employee Benefit Authority – Insurance Benefits.
4. Claims of covered public employees for long-term disability and group-life insurance benefits. This type of claim is handled through the South Carolina Public Employee Benefit Authority – Insurance Benefits.

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverage listed above are through the applicable State self-insurance plan except dependent and optional life premiums which are remitted to commercial carriers.

The Network and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles;
4. Torts; and
5. Natural disasters.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability. The IRF's rates are determined actuarially.

The Network obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The limit is \$100,000 per incident with a \$1,000 deductible. The Network self-insures above this amount because it feels the likelihood of loss is remote. No payments for uninsured losses were made during the fiscal year ended June 30, 2016.

The Network obtains broadcaster liability insurance through a commercial carrier covering media liability. The policy has a limit of \$1,000,000 with a \$10,000 deductible.

The Network has recorded insurance premium expenses in the applicable program expenditure category. These expenses do not include estimated claim losses and estimable premium adjustments.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 12. RISK MANAGEMENT (continued):**

The Network has not reported an estimated claims loss expenditure, and the related liability at June 30, 2016, based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which states that a liability for claims must be reported if information prior to issuance of the financial statements indicates that it is probable and estimable for accrual that an asset has been impaired or liability has been incurred on or before June 30, 2016 and the amount of the loss is reasonably estimable have not been satisfied.

In the fiscal year ended June 30, 2016, the Network was unable to obtain business interruption insurance at a cost it considered economically justifiable. In addition, the Network's management believes for risk of loss the occurrence of which it considers a remote likelihood, it is more economical to manage such risks internally. The Network does not derive any revenue from advertising; therefore, no loss of revenue would occur if transmission capabilities were impaired.

The Network is unable to estimate lost revenues, the costs of relocation and temporary facilities for continuing operations, and the cost of replacement facilities for uninsured losses. During the fiscal year ended June 30, 2016, the Network did not experience any losses as a result of business interruption.

In management's opinion, claim losses in excess of insurance coverage, if any, is unlikely and if it occurred, would not be significant. Therefore, no loss accrual has been made in these financial statements. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expense and liability should be accrued at year-end.

**NOTE 13. BROADBAND SPECTRUM LEASE:**

In November 2009, the State and the Network entered into a 30-year lease for excess spectrum capacity of broadband licenses managed by the Network and licensed from the FCC. For the first six months of the agreement, the funds went to the General Fund of South Carolina.

Beginning in July of 2011, the Network began to receive broadband spectrum lease funding that was collected and transferred by the Budget and Control Board (which subsequently became the Department of Administration). Beginning February 2013, the payments were made directly to the Network. The Network received \$3,408,943 during the current fiscal year and this is included in intergovernmental revenue.

Rental payments pursuant to budget provision to be received in the future are as follows:

Fiscal year ending June 30,	
2017	\$ 3,408,943
2018	3,408,943
2019	3,408,943
2020	3,664,616
2021	3,920,284
2022-2026	20,483,486
2027-2031	23,556,009
2032-2036	27,227,181
2037-2039	<u>15,135,275</u>
Total	<u>\$ 104,213,680</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 14. DEFICIT FUND BALANCE:**

The non-federal grants fund had a deficit fund balance at June 30, 2016 and 2015. Management expects this deficit to be corrected in the future through normal activity and transfers from the general fund, if needed.

**NOTE 15. SUBSEQUENT EVENTS:**

Management of the Network has evaluated events subsequent to year end and through June 7, 2017, which is the date these financial statements were available to be issued. Except as noted below, there were no subsequent events required to be disclosed in these financial statements.

The Legislature passed a new proviso to direct the Network to begin managing licensing contracts for all state towers, not just the towers it oversees as of FY 2016-17. This activity was previously handled by the Department of Administration. The Network is working to develop customer service, billing and administrative support to manage this activity. Also in FY 2015-16, the South Carolina General Assembly passed additional annual funding of \$565,000 in staffing and operational support for engineering, building and administrative support towards engineering, tower and building maintenance, as well as \$1.75 million in non-recurring capital funding, both funding sources to be allocated in FY 2016-17. This funding will support the process of repairing and rebuilding aging infrastructure and equipment.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS, UNAUDITED)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Classified positions	\$ 6,951,500	\$ 6,665,500	\$ 6,336,387	\$ 329,113
Employer contributions	2,146,943	2,146,943	2,243,909	(96,966)
Other operating	10,094,089	10,380,089	10,292,508	87,581
<b>Total Expenditures</b>	<u>\$19,192,532</u>	<u>\$19,192,532</u>	<u>\$18,872,804</u>	<u>\$ 319,728</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2016**

**NOTE 1. BUDGETARY FUNDS**

South Carolina's Annual Appropriation Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

*General Funds.* These funds are general operating funds. The resources in the funds are primarily taxes. The State expends General Funds to provide traditional State government services.

*Total Funds.* The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but exclude the pension trust funds and some other fiduciary fund activities.

The Network's legally adopted budget is part of the Total Funds budget for the State.

**NOTE 2. ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION**

The original appropriations presented in the accompanying schedule for the Network include amounts in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classification, and format of the appropriations section of the accompanying schedule for the Network's governmental funds are substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds which include the Network's Funds. However, Section 115 (*Recapitulations*) of the Appropriation Act includes net *source of funds* amounts (i.e. estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: EIA, Non-Federal and Capital Projects. A budget versus actual comparison for all funds is presented as required supplementary information.

As operating conditions change, the Network may move appropriations between programs and classifications within programs. However, limits are placed on increasing/decreasing authorizations for personal services without SFAA approval. Also, a revision of budgeted amounts over and above the total revenues appropriated requires approval of the SFAA.

**NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL**

The Network maintains budgetary control at the level of summary objective category of expenditure within each program of each department or agency which is the level of detail presented in the accompanying schedule.

**NOTE 4: BASIS OF BUDGETING**

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is used. State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:



- Departments and agencies shall charge certain vendor and inter-fund payments against the preceding fiscal year's appropriations through July 14.
- All other revenues are recorded only when the Network receives the related cash.
- The accrual basis is used for other expenditures.

**NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES**

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist of primarily of reclassifications from financial statement classifications to budgetary fund categories, the accrual and reversal of accounts payable and payroll and related fringe benefits, which exceed the cut off for the Network to charge the previous fiscal year's appropriations. Additionally, acquisitions of capital assets by donation are unbudgeted.

	<u>General Fund</u>	<u>Other Budgeted Funds</u>	<u>Total</u>
<b>Total Expenditures, budgetary basis</b>	\$14,122,050	\$ 4,750,754	\$18,872,804
Basis of accounting differences:			
Change in accrued salaries	28,285	(15,226)	13,059
Change in accounts payable	55,359	(8,383)	46,977
Other basis differences:			
Capital outlays are reported in operations per GAAP basis	452,055	236,229	688,284
Compensated absences	43,437	2,902	46,339
Encumbrances for supplies and equipment ordered but not received	84,634	126,496	211,130
<b>Total Expenditures</b>	<u>\$14,785,820</u>	<u>\$ 5,092,772</u>	<u>\$19,878,593</u>

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM  
AS OF JUNE 30, 2016  
LAST THREE FISCAL YEARS**

	2016	2015	2014
SCETV's proportion of the net pension liability	0.063680%	0.0643510%	0.0643510%
SCETV's proportionate share of the net pension liability	\$ 12,077,219	\$ 11,079,109	\$ 11,542,274
SCETV's covered employee payroll	\$ 4,792,514	\$ 5,842,255	\$ 5,961,321
SCETV's proportionate share of the net pension liability as percentage of covered employee payroll	257.40%	231.18%	197.57%
Plan fiduciary net position as a percentage of the total pension liability	57.0%	59.9%	56.4%

Note that amounts were determined as of June 30, of the prior year.

**SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION  
SCHEDULE OF SOUTH CAROLINA EDUCATIONAL TELEVISION COMMISSION'S  
CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM  
AS OF JUNE 30, 2016  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 650,816	\$ 619,279	\$ 631,900	\$ 716,000	\$ 716,000
Contributions in relation to the contractually required contribution	<u>650,816</u>	<u>619,279</u>	<u>631,900</u>	<u>716,000</u>	<u>716,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	\$5,884,412	\$5,681,459	\$5,961,321	\$6,754,717	\$7,505,241
Contributions as a percentage of the covered employee payroll	11.06%	10.90%	10.60%	10.60%	9.54%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 752,000	\$ 874,000	\$ 917,900	\$ 795,500	\$ 738,000
Contributions in relation to the contractually required contribution	<u>752,000</u>	<u>874,000</u>	<u>917,900</u>	<u>795,500</u>	<u>738,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SCETV covered-employee payroll	\$8,008,520	\$9,307,774	\$9,775,293	\$8,637,351	\$9,000,000
Contributions as a percentage of the covered employee payroll	9.39%	9.39%	9.39%	9.21%	8.20%



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

Mr. George L. Kennedy III, CPA  
State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the South Carolina Educational Television Commission (the "Network") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements and have issued our report thereon dated June 7, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Network's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2016-1 and 2016-2).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Network's Response to Findings**

The Network's response to the finding identified in our audit is described in the accompanying schedule of findings. The Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Scott and Company LLC*

Columbia, South Carolina  
June 7, 2017

**South Carolina Educational Television Commission  
Schedule of Findings**

**Year Ended June 30, 2016**

**Section I—Summary of Auditor’s Results**

**Financial Statements:**

We have issued an unmodified opinion dated June 7, 2017 on the basic financial statements of the South Carolina Educational Television Commission.

**Internal control over financial reporting:**

- |   |               |
|---|---------------|
| • Material weaknesses identified?                       | Yes           |
| • Significant deficiencies identified?                  | None Reported |
| • Noncompliance material to financial statements noted? | No            |

**South Carolina Educational Television Commission  
Schedule of Findings**

**Year Ended June 30, 2016**

**Section II- Financial Statement Findings:**

**Conditions Considered to be a Material Weakness:**

*2016-1: Original Trial Balance Needed Adjustments*

**Condition:**

Our audit disclosed that the Network's original trial balance provided to us needed adjustments.

**Cause:**

The adjustments noted above appeared to be caused by the significant amount of turnover within the Network's accounting department. In addition, the Network was negatively impacted by Hurricane Matthew which occurred subsequent to year end but during the period the Network would have been completing the 2016 trial balance and reconciliations.

**Effect:**

Misstatement of prepaid expenses, property and equipment, accounts payable, and deferred revenue was noted. Adjusting journal entries were proposed in each of these areas.

**Criteria:**

Generally accepted accounting principles require that amounts be properly reported in the financial statements and note disclosures.

**Recommendation:**

The Network has already engaged the National Educational Television Association ("NETA") to assist in certain areas of financial reporting related to the Network's community service grant report to CPB. The Network should implement a back-up plan and other procedures to ensure that all financial statement balances and related note disclosures are properly reported even when significant turnover or a natural disaster has occurred. This would likely need to include hiring another independent accounting firm to assist the accounting department in completing the account reconciliations, financial statements and related notes.

**South Carolina Educational Television Commission  
Schedule of Findings**

**Year Ended June 30, 2016**

*2016-2: Untimely Preparation of Account Reconciliations and Supporting Schedules*

**Condition:**

Our audit disclosed that the Network's account reconciliations and supporting schedules for the financial statements were not timely prepared. The audit was scheduled to begin in November 2016 and ended up being delayed until January 2017. The proper account reconciliations and supporting schedules were still not ready in January of 2017.

**Cause:**

The untimely preparation appeared to be caused by the significant amount of turnover within the Network's accounting department. In addition, the Network was negatively impacted by Hurricane Matthew which occurred subsequent to year end but during the period the Network would have been completing the 2016 trial balance and reconciliations.

**Effect:**

The audit was not able to begin as scheduled causing multiple extension requests and also put the Network at risk of incurring possible fees from the CPB.

**Criteria:**

The Network is required to submit audited financial statements to the CPB by December 31<sup>st</sup> each year.

**Recommendation:**

The Network has already engaged the National Educational Television Association ("NETA") to assist in certain areas of financial reporting related to the Network's community service grant report to CPB. The Network should implement a back-up plan and other procedures to ensure that all financial statement balances and related note disclosures are properly reported even when significant turnover or a natural disaster has occurred. This would likely need to include hiring another outside accounting firm to assist the accounting department in completing the account reconciliations, financial statements and related notes.



**Summary Schedule of Prior Audit Findings:**

During our current audit, we reviewed the status of corrective action taken on the finding reported on the Network's financial statements for the year ended June 30, 2015, dated January 31, 2016. The following finding was reported:

2015-1 Errors in Financial Statement Note Disclosures

We found that corrective action was taken on the above finding for FY 2016.



**South Carolina Educational Television Commission  
Management Response**

June 7, 2017

The South Carolina Educational Television Commission respectfully submits the following corrective action plan for the year ended June 30, 2016.

Name and address of independent public accounting firm: Scott and Company LLC, PO Box 8388, Columbia, SC 29202

Audit Period: July 1, 2015 – June 30, 2016

The finding is discussed below:

*2016-1: Original Trial Balance Needed Adjustments*

*2016-2: Untimely Preparation of Account Reconciliations and Supporting Schedules*

**Recommendation:**

The Network has already engaged the National Educational Television Association (NETA) to assist in certain areas of financial reporting related to the Network's community grant report to CPB. The Network should implement a back-up plan and other procedures to ensure that all financial statement balances and related note disclosures are properly reported even when significant turnover or a natural disaster has occurred. This would likely need to include hiring another independent accounting firm to assist the accounting department in completing the account reconciliations, financial statements and related notes.

**Action Taken:**

The Network plans to contact the State Auditor's Office to assist in hiring an accounting firm to assist in account reconciliations, financial statements, and related notes.

If you have any questions or if additional information is needed, please contact Shatika Spearman at (803) 737-3379.

Sincerely,

A handwritten signature in cursive script that reads "Linda O'Bryon".

Linda O'Bryon  
President and CEO